CHEFA
The Authority on Nonprofit Financing in Connecticut

Testimony Submitted to the Finance, Revenue and Bonding Committee

March 15, 2022

SB 382 "An Act Concerning a Connecticut New Market Tax Credit Program"

Good afternoon Co-Chairs Senator Fonfara and Representative Scanlon, Ranking Members Senator Martin and Representative Cheeseman, and distinguished members of the Finance, Revenue and Bonding Committee.

My name is Jeanette W. Weldon and I am the Executive Director of the Connecticut Health and Educational Facilities Authority (CHEFA) and CHEFA Community Development Corporation (CHEFA CDC).

I am here today to speak in <u>support</u> of SB 382 "An Act Concerning a Connecticut New Market Tax Credit Program."

The Connecticut Health and Educational Facilities Authority or CHEFA, issues tax-exempt revenue bonds on behalf of Connecticut's nonprofit hospitals, colleges, universities and other eligible 501(c)(3) organizations. The bonds are the obligation of the nonprofit entity and are purchased by institutional investors. These investments underpin a critical social service infrastructure that cares for our health, educates us, and enhances the welfare and prosperity of Connecticut residents.

In 2019, CHEFA formed CHEFA CDC to further CHEFA's mission and broaden its impact across Connecticut. CHEFA CDC has been certified as a community development entity by the U.S. Treasury for purposes of participating in the Federal New Market Tax Credit program. CHEFA CDC's mission is to expand economic development in Connecticut's low-income communities by providing affordable and flexible financing products to qualified nonprofit organizations that may not have the capacity for traditional financing.

To support the State's economic and workforce development initiatives, it is critical that all communities have access to quality services such as those provided by nonprofits. The State's investment in these services will create the foundation for further economic development, spurring other business ventures and development projects.

SB 382 will provide the State with a mechanism to facilitate these important investments by establishing a Connecticut New Market Tax Credit program. By offering a state income tax credit, the program will incentivize private investment by Connecticut businesses in nonprofits that are undertaking capital projects in low-income communities. These projects will expand and enhance the critical services these nonprofits provide, while also creating quality jobs with living wages and benefits. Such projects could include, for example, construction of new childcare facilities, expansion of Boys & Girls Clubs and YMCAs, or renovation of federally qualified community health centers.

SB 382 grants CHEFA CDC the authority to issue approximately $10M of tax credits in FY 2023 and FY 2024 under the program. The program will limit investment per project to $5M. The tax credit will be claimed over 7 years with 5% per year being claimed in the first 3 years, and 6% per year being claimed in the remaining 4 years for a total tax credit equivalent to 39% of the qualified equity investment. The projected maximum amount of tax credits claimed in any single year is $3M. During the 7-year period, the tax credits will be subject to recapture if the nonprofit organization or the financed project no longer serves the low-income community.

By investing in a Connecticut New Markets Tax Credit program, the State is creating an innovative approach to help address economic inequality in Connecticut's communities, provide critical access to services, and support workforce development.

Thank you for your time, I'm happy to answer any questions.